

Insolvency and bankruptcy Board of India

Subject: Status Note on Voluntary Liquidation Process

Section 59 of the Insolvency and Bankruptcy Code, 2016 (Code) provides that a corporate person who intends to liquidate itself voluntarily and has not committed any default may initiate voluntary liquidation proceedings under the provisions of Chapter V of the Code. The IBBI (Voluntary Liquidation Process) Regulations, 2017 govern the process.

2. A corporate person may initiate a voluntary liquidation proceeding if majority of the directors or designated partners of the corporate person make a declaration to the effect that (i) the corporate person has no debt or it will be able to pay its debts in full from the proceeds of the assets to be sold under the proposed liquidation, and (ii) the corporate person is not being liquidated to defraud any person. Within four weeks of the declaration, a resolution needs to be passed by a special majority of the partners or contributories, as the case may be, of the corporate person requiring the corporate person to be liquidated and appointing a resolution professional to act as the liquidator. The liquidation proceedings are deemed to have been commenced from the date of passing of this resolution. If the corporate person owes any debt to any person, creditors representing two-thirds in value of debt of the corporate person also need to approve the resolution passed by the partners or contributories within seven days of such resolution.

3. The liquidator makes a public announcement within five days from his appointment calling upon stakeholders to submit their claims within thirty days from the liquidation commencement date. The announcement is published in one English and in one regional language newspaper, on the website, if any, of the corporate person and on the website, if any, designated by the Board for this purpose. The liquidator submits a preliminary report to the corporate person within forty-five days from the liquidation commencement date, detailing the capital structure of the corporate person, estimates of its assets and liabilities as on liquidation commencement date, the proposed plan of action, etc. He verifies the claims submitted within thirty days from the last date for receipt of claims and prepares the list of stakeholders within forty-five days from the last date for receipt of claims. He endeavors to recover and realize all assets of and dues to the corporate person in a time-bound manner for maximization of value for the stakeholders. The liquidator distributes the proceeds from realization within six months from

the receipt of the amount to the stake holders. He endeavours to complete the liquidation process within 12 months from the liquidation commencement date.

4. In the event of the liquidation process continuing for more than 12 months, he holds a meeting of the contributories of the corporate person within 15 days from the end of the 12 months from the liquidation commencement date, and at the end of every succeeding 12 months till dissolution of the corporate person. On completion of the liquidation process, he prepares the final report consisting of audited accounts of the liquidation, disposal of the assets of the corporate person, sale statement, etc. Where the affairs of the corporate person have been completely wound up, and its assets completely liquidated, he makes an application to the Adjudicating Authority for the dissolution of such corporate person along with final report. The Adjudicating Authority passes an order that the corporate debtor shall be dissolved from the date of that order and the corporate debtor shall be dissolved accordingly. A copy of the order is forwarded to the authority with which the corporate person is registered. If at any time, the liquidator is of the opinion that the liquidation is being done to defraud a person or the corporate person will not be able to pay its debts in full from the proceeds of the assets to be sold in the liquidation, he makes an application to the Adjudicating Authority to suspend the process of liquidation and pass any orders as it deems fit.

5. The first voluntary liquidation was initiated on 7th April, 2017. As at 31st August, 2018, 246 corporate persons have filed for voluntary liquidation. The particulars of 246 voluntary liquidations are given in Table 1.

Table 1: Details of Voluntary Liquidations initiated 31st August, 2018

(Amount in Rs. crore)						
Quarter	No. Corporate Persons	Paid up Capital	Assets	Outstanding Credit	No. of Final Reports Submitted	No. of Dissolution Orders Passed
Apr-Jun, 2017	13	179	40	9	-	-
Jul-Sept, 2017	38	195	340	8	-	-
Oct-Dec, 2017	56	67	180	14	4	1
Jan-Mar, 2018	66	354	220	8	6	1
Apr-Jun, 2018	41	992	333	39	21	3

July-Aug, 2018	32	5	8	0.07	1	1
Total	246	1792*	1121*	78.07*	32	6

*Though 246 corporate persons have filed for liquidation, the details are available in respect of 223 of them.

6. The total paid up capital of the 223 corporate persons which are into voluntary liquidation is Rs.1792 crore with an outstanding credit of Rs 78.07 crore. The final reports have been submitted to the Adjudicating Authority, respective RoC and to the IBBI in respect of 32 corporate persons. The Adjudicating Authority has passed orders for dissolution of six corporate persons.

7. On the basis of the information filed with the IBBI, it is observed that a total of 94 IPs are working as liquidators of these corporate persons. Of the 223 corporate persons, 73 belong to the services sector, followed by manufacture & trading (27), infrastructure (25) and transport (19). Most of these corporate persons are small entities. 165 of them have paid up equity capital less than Rs.1 crore. Only 24 of them have paid-up capital exceeding Rs.5 crore.

8. The main reason for initiating voluntary liquidation of 223 corporate persons for which information is available is presented in Table 2.

Table 2: Reasons for Voluntary Liquidations

Sl. No.	Reason for Voluntary Liquidation	No. of Corporate Persons
1	Not carrying business operations	126
2	Commercially unviable	31
3	Running into losses	8
4	No revenue	10
5	Promoters unable to manage affairs	2
6	Purpose of the company accomplished	1
7	Contract termination	3
8	Miscellaneous	42
Total		223*

*Information available for 223 corporate persons out of 246 cases for voluntary liquidations initiated.

9. Table 3 presents of status of voluntary liquidation processes as on 31st August, 2018.

Table 3: Status of Voluntary Liquidation Processes

Status of Liquidations	Number of Liquidations
Initiated	246
Closed by Dissolutions	6
Final Reports Submitted	32

> 360 days	40
> 270 days \leq 360 days	46
> 180 days \leq 270 days	60
> 90 days \leq 180 days	52
\leq 90 days	48